



COOPERATIVE DEVELOPMENT PROGRAM

USAID CA# FAO-A-00-97-00009-00

SEMI-ANNUAL REPORT

FOR JULY-DECEMBER 2002

Submitted to

**USAID/DCHA/PVC
Washington, D.C. 20523**

Submitted by

**Land O'Lakes, Inc.
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Cooperative Development Program (CDP)

USAID CA# FAO-A-00-97-00009-00

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Land O'Lakes, Inc.

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Cooperative Development Program (CDP)

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Semi-Annual Report July - December 2002

Land O'Lakes, Inc.

Project Summary: The Land O'Lakes Cooperative Development Program (CDP) develops cooperative business systems in target countries. The current target countries are Bulgaria, Guatemala, and Tanzania for Land O'Lakes and Uganda for HealthPartners, the subgrantee. The goal of the program is to promote economic growth through the development and strengthening of agribusiness cooperatives. Eventually these efforts will spread to the surrounding geographic regions. The focus of the project is four-fold, to:

1. Identify progressive cooperatives and provide targeted assistance to improve their profitability and member services.
2. Strengthen the cooperative development expertise in the Land O'Lakes International Development Division (IDD) and in targeted overseas cooperatives to enable more efficient and cost effective response to specific cooperative development needs.
3. Build grassroots support for U.S. international development efforts by sharing the information and successes of this program to a broad audience of U.S. farmers and agribusinesses.
4. Build the capacity of Land O'Lakes to access non-U.S. government funding for future cooperative development programs.

Project Duration: June 1, 1997 – May 30, 2004

Federal Funding Obligated: \$5,100,039

Federal Spent through December 2002: \$4,066,239

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FOCUS COUNTRIES

Land O'Lakes' focus countries are Bulgaria, Guatemala, and Tanzania. In each country the concept is to work with a cooperative or association that acts as the coordinating organization. One of the project goals is to institutionalize and strengthen this cooperative or association so that it will be able to continue to provide cooperative/association training to its members and member organizations. The main cooperatives/associations with which Land O'Lakes works are all at different stages in the process of assuming the coordinating role in-country.

Once Land O'Lakes received official word that the extension was approved by USAID, project start-up conference calls were initiated to commence the next stages of the Cooperative Development Program. Overall CDP Senior Project Officer, Rodrigo Brenes, with Kristin Gasteazoro and other specific country and headquarter personnel, dedicated three hours per focus country to review important management issues, project status and work plan objectives.

BULGARIA

Key Achievements for This Period:

- The Bulgarian National Dairy Association, the Association of Dairy Processors in Bulgaria (ADPB) and the National Association of Dairy Producers (NADP) continued their efficient joint work with the Consultative Council on Milk Issues to the Ministry of Agriculture and Forestry.
- The Ministry of Agriculture through the State Fund Agriculture initially granted a total of 2,200,000 Bglv (approx. USD 1,100,000) for the period April – September 2002, followed by an additional amount of 170,000 Bglv (approx. USD 85,000) granted for the period October – November 2002. The amount granted for year 2003 is 4,600,000 Bglv (approx. USD 2,300,000).
- A farmers' incentive program for genetic improvement is being developed by NADP and the Agency for Control of Livestock Breeding to the Ministry of Agriculture and Forestry. The agreement between BNDA and the Agency was signed back in April, defining BNDA as its counterpart and coordinator in all joint activities related to livestock breeding control, selection and reproduction. Through the State Fund Agriculture a total of 2,900,000 Bglv (approx. USD 1,450,000) was granted in support of animal selection and reproduction.
- MOA State Fund Agriculture has granted a total of five million Bglv (approx. USD 2.5 million) for investment projects for 2002. These investment projects include the purchase of selected breeds with high genetic potential, the purchase of machinery and equipment, construction of farm buildings, and reconstruction of existing buildings.
- As a result of Land O'Lakes' donation for group purchasing start-up, both regional and national dairy associations continue the activities. These include contracts with

national and regional distributors of pharmaceuticals, dairy equipment, feed, seeds, etc.

- During the reported period, Land O'Lakes purchased from Nikos Engineering, a local manufacturer in Dobrich, three cooling tanks with 1,000-liter capacities, including the auxiliary equipment. The cooling tanks were donated to the Pleven, Lovech and Zashtita Regional Dairy Producers Associations. The cooling tanks are already installed at the collection sites which were built and equipped by the farmer co-op members. It is important to note that milk collection sites are currently owned by dairy processors, and thus they dictate the price of raw milk. Through the farmer co-op ownership of the collection sites, it is expected that farmers will be able to choose between different processors and pursue higher quality and prices.
- During the period July - September, 2002, under the auspices of the CDP project, nine training courses, with 161 participants were completed in Milk Quality, Mastitis and in Nutrition, and were given to the Union of Dairy Producers "Razvitie" – Dobrich, the regional and local dairy producers associations of Varna, Lovech, Plovdiv, Gulyantzi, Ihtiman, Sofia, Veliko Tarnovo, Shumen, Rousse, Montana, Sliven, Haskovo, Bourgas and the National Dairy Producers Association.
- Land O'Lakes continues to support BNDA on the development of a national dairy industry policy agenda.

I. NATIONAL LEVEL ASSISTANCE

Land O'Lakes, via the CDP project and in collaboration with our partner organization – the Bulgarian National Dairy Association (BNDA) – is working to improve the policy and regulatory environment for the dairy industry in Bulgaria. The CDP project also supports the development of national associations representing the dairy industry in Bulgaria, and it seeks to assist Bulgaria in efforts to integrate with the European Union. To achieve this objective the CDP project accomplished the following during this reporting period:

A. Support for Agricultural Policy Reform

- Land O'Lakes assisted the Bulgarian National Dairy Association, the Association of Dairy Processors in Bulgaria (ADPB) and the National Association of Dairy Producers (NADP) in their work with the Government of Bulgaria on various issues regarding participation in the Consultative Council on Milk Issues to the Ministry of Agriculture and Forestry. The Council is comprised of representatives of MOA, the Ministry of Economy, the Ministry of Finance, the State Fund Agriculture and the National Veterinary Control Services.

- As a result of the effective work of the three national dairy associations with the Consultative Council on Milk Issues, and as an outcome of the Memorandum signed in March 2002 defining the joint actions of the Bulgarian government and BNDA, ADPB and NADP are ensuring efficient conditions for the production, procurement and sales of documented quality milk and dairy products:
 - 1) The Ministry of Agriculture, through the State Fund Agriculture, initially granted a total of 2,200,000 Bglv (approx. USD 1,100,000) for the period April – September 2002, followed by an additional amount of 170,000 Bglv (approx. USD 85,000) granted for the period October – November 2002. The amount granted for year 2003 is 4,600,000 Bglv (approx. USD 2,300,000).
 - 2) A farmers' incentive program for genetic improvement is being developed by NADP and the Agency for Control of Livestock Breeding to the Ministry of Agriculture and Forestry. The agreement between BNDA and the Agency was signed back in April, defining BNDA as its counterpart and coordinator in all joint activities related to livestock breeding control, selection and reproduction. Through the State Fund Agriculture a total of 2,900,000 Bglv (approx. USD 1,450,000) was granted in support of animal selection and reproduction.
 - 3) MOA State Fund Agriculture has granted a total of five million Bglv (approx. USD 2.5 million) for investment projects for year 2002. These investment projects include purchase of selected breeds with high genetic potential, purchase of machinery and equipment, construction of farm buildings, and reconstruction of existing buildings.

B. Development of National Associations

- Effective in their actions to unite and protect the interests of their members, and being recognized as reliable counterparts to the Government, BNDA, ADPB and NADP actively participate in the Commission on Milk Production and in the Commission on Milk Procurement and Processing of the Consultative Council on Milk Issues to the Ministry of Agriculture and Forestry.

The Memorandum signed in March specifically defines the joint actions of the Bulgarian Government and BNDA, ADPB and NADP in ensuring efficient conditions for the production, procurement and sales of documented quality milk and dairy products.

The continuous efforts of NADP, focused on convincing the Government to extend the period of the program, have resulted in the Government prolonging the duration of the program on an annual basis, and thus has given the opportunity for more members to apply and benefit from it. As of April 2002 the program also includes buffalo producers and in 2003 will include sheep and goat milk.

The significant outcomes are:

- 1) MOA through the State Fund Agriculture has granted a total of 2,200,000 Bglv (approx. USD 1,100,000) for the period April – September 2002;
- 2) an additional 170,000 Bglv (approx. USD 85,000) has been granted for the period October – November 2002;
- 3) The amount granted for year 2003 is 4,600,000 Bglv (approx. USD 2,300,000).
- 4) NADP and the MOA Agency for Control of Livestock Breeding are developing jointly an incentive program for stimulating farmers breeding animals with high genetic potential. Through the State Fund Agriculture a total of 2,900,000 Bglv (approx. USD 1,450,000) was granted in support of animal selection and reproduction; of that amount, 1,139,075 Bglv (approx. USD 569,540) were granted for selected dairy breeds and, 1,490,230 (approx. USD 745,115) – for dairy animals with high genetic potential. The remaining amount was granted for import of dairy animals (118,000 Bglv, i.e., USD 59,000) and for new breeds (152,695 Bglv, i.e., USD 76,348).
- 5) MOA State Fund Agriculture has granted a total of five million Bglv (approx. USD 2.5 million) of loans for investment projects for year 2002. The terms for the loans are:
 - for the purchase of selected breeds with high genetic potential:
 - a) At least five heifers or buffalo-cows for a ten-year-period with a gratis period of three years;
 - b) A minimum of 30 ewes or goats for a period of 2.5 years and a gratis period of 12 months;
 - for the purchase of machinery and equipment the loan is granted for three years with a gratis period of nine months; and
 - for construction of farm buildings and reconstruction of existing buildings – three-year loans with a gratis period of nine months.

The three national associations supported by Land O'Lakes advise the Minister of Agriculture in conducting and implementing the Government policy on production, procurement and sales of milk and dairy products. They participate in the development of the strategy for the dairy sector as well as in the development and implementation of all related regulatory documents and joint programs for improving the quality parameters of raw milk and dairy products.

C. Support for EU Integration

Recognized as a reliable and resourceful partner of the Government with the goal to protect the interests of its members, BNDA actively participates in policy working groups at the MOA for all issues related to EU integration.

- As a member of the working group on the implementation of the EU SAPARD Program, BNDA actively took part in the Selection Committee meetings at the Ministry of Agriculture and Forestry on the approval of new applications of members of regional associations.
- On October 22, 2002, a draft agreement was adopted which defines the extended parameters for analysis and purchase of raw milk with the goal to achieve EU standards and requirements for milk and dairy products and as a result of the joint work of the national dairy associations and MOA Consultative Council on Milk Issues. The criteria envisaged in the agreement is based on Ordinance No.30 of 11/20/2000 on the veterinary, sanitary and hygienic requirements for raw milk production, the construction and exploitation of dairy processing facilities and the production and trade of processed milk and dairy products. Besides the rigid quality criteria, the other important criteria introduced are solid non-fat and proteins content.
- In order to facilitate the adjustment of farm structures, to improve the status of milk collection sites and, to modernize dairy processing operations to meet EU standards, experts inspected farms, collection sites and dairy processing facilities in all 28 regions of Bulgaria. Representative experts were from cross sections of the government and private sector, including “Agriculture and Forests” regional directorates, directors of regional veterinary services, experts from State Veterinary and Sanitation Control Service, Ministry of Public Health (inspectors from Hygiene and Epidemiological Institute), Ministry of Finance (tax inspectors), representatives of economic police, experts from the Trade and Consumer Protection Commission, experts from the Federation of Consumers and representatives of the Association of Dairy Processors in Bulgaria and the National Association of Dairy Producers. Some of the conclusions from the inspection of dairy processing plants (DPP), milk collection sites (MCS) and farms are as follows:

Dairy Plants

1. Of the registered 463 milk-processing plants, 384 have been inspected, and after inspection 12 have been closed down as they are not in line with Ordinance No.30/20.11.2000 regarding the veterinary, sanitation and hygiene requirements for raw milk production, construction and operation of dairy plants, and production and trade in heat-treated milk and dairy products.
2. From the reports of regional commissions, submitted in the Central Interdepartmental Commission, it is evident that in most cases the registered DPP are in good sanitation and hygiene condition. The same have been issued operation permits by the State Veterinary and Sanitation Control bodies.
3. Dairy products (cheese and *kashkaval*) are released into the network of shops before their aging process is complete.
4. Temperature registers are not being maintained for the dairy products aging and storage chambers; those that are maintained are not always complete.
5. Some DPP do not keep technology registers for the production.

6. Some DPP have no laboratories for incoming raw milk control and do not keep laboratory registers. For this reason it is not possible to precisely report the quality indices of purchased raw milk according to Ordinance No30.
7. Quite often the DPP do not register the amounts paid to milk suppliers in their accounting documentation.
8. Considerable numbers of plants have not signed contracts with the MCS and farms.
9. The information about dairy product quantities from accounting documents and invoices contradict those of the veterinary-sanitation permits issued to the plants.

Milk Collection Sites

1. A total of 2,312 milk collection sites (MCS) were inspected and 37 of them were closed down due to not meeting the requirements of Ordinance No.30.
2. A total of 755 sites for purchasing raw milk have been identified as not being registered. The so-called “sites” are in poor sanitary status and are not in line with any veterinary or hygiene requirements.
3. The sanitation and hygiene of the inspected MCSs range from poor to good. Some do not have reagents or equipment for raw milk grading, warm water, disinfectants or even cooling tanks.
4. There is no accounting or documentation for purchased raw milk. Most inspected sites do not keep lists of their milk suppliers, indicating the number of milked animals and their earmarks, signed by the local mayors and licensed vets.
5. Milk is paid to the suppliers by physical liters and the price varies by region, which has a direct adverse effect on the development of dairy farming.

Dairy Farms

1. A total of 424 farms which are registered by the National veterinary and Medical Service were inspected.
2. The animals in the inspected farms have veterinary passports and earmarks.
3. The tuberculosis and brucellosis tests are not always reflected in the vet passports.
4. Some of the bigger farms have their own milk collection sites but they are not registered by the State Veterinary and Sanitation Control Service.

These facts demonstrate how timely and adequate the Land O’Lakes development program is. In addition to supporting the non-profit dairy organizations in their policy and advocacy work with the government of Bulgaria, it focuses its efforts in the formation of milk collection cooperatives and group purchasing for regional and national associations.

As a result of the funds generated from the Land O’Lakes donation of alfalfa seed, corn seed, semen and feed to initiate group purchasing activities with regional producer associations, we observe that through the gained experience and benefits to both farmer members and associations, these efforts are extended. New group purchasing activities are initiated both at the regional and national levels. These include contracts made with

national level distributors of pharmaceuticals, milking equipment spare parts, feed, seed, etc. Associations are making successful efforts to supply their members with inputs of at least a 15% discount. These efforts led to increase in membership, confidence and trust in association structures and their role in meeting members' needs.

Lessons Learned:

The successful policy efforts of the national dairy associations made them a reliable partner to government in their work with the MOA Consultative Council on Milk Issues, the EU SAPARD Selection Committee and the different working groups on legislation and dairy issues.

The positive results of the milk quality bonus program led to the Government extending the duration of the program on an annual basis and thus giving the opportunity of more members to apply and benefit from it. As of April 2002 the program also includes buffalo producers, and in 2003 the amount granted by Government will be double that of 2002 and will include sheep and goat milk producers.

With the goal to achieve EU standards and requirements for milk and dairy products, a draft agreement was adopted which defines the extended parameters for analysis and purchase of raw milk. This demonstrates the joint efforts of GOB and the dairy industry's leadership to fight disloyal competition.

II. REGIONAL LEVEL ASSISTANCE

In addition to the four national level associations that receive support from Land O'Lakes, the CDP/Bulgaria project provides support to regional associations which group together producers and processors in the main dairy producing regions of Bulgaria. Project support includes assistance to the leadership of these associations to help them develop and provide services to their members, and provide direct technical assistance to their membership. Activities undertaken during this reporting period are as follows:

A. Support for Regional Associations

Land O'Lakes, in its ongoing active support for regional associations, is implementing the new development program with an emphasis on formation of milk collection cooperatives and group purchasing. The programs focus on increased income in rural areas through improved quality and bulk purchasing.

During the reported period Land O'Lakes purchased from Nikos Engineering, a local manufacturer in Dobrich, three cooling tanks with 1,000-liter capacity, including the auxiliary equipment. The cooling tanks were donated to the Pleven, Lovech and Zashtita Regional Dairy Producers Associations. The cooling tanks are already installed at the collection sites built and equipped by the farmer coop members. It is important to note that milk collection sites are currently owned by dairy processors, and thus they dictate

the price of raw milk. Through the farmer co-op ownership of the collection sites, it is expected that farmers will be able to choose between different processors and pursue higher quality and prices.

Land O'Lakes provided a package of technical assistance and training to rural farmer groups who wish to organize themselves into a cooperative and establish a milk collection center. These groups were identified through the more than 20 regional dairy producer associations that Land O'Lakes has established in Bulgaria over the past few years. Technical assistance and supplies and equipment for these groups is channeled through the associations to strengthen their position with their farmer-members, while at the same time establishing new farmer cooperatives. The associations and farmer groups have to meet a certain set of criteria to receive the assistance, supplies and equipment (criteria given in Annex E of previous semi-annual report).

The tanks are supplied by Land O'Lakes via the respective regional producer association, requiring the farmer group to repay 70% of the cost of the equipment to the producer association. Repayment is interest free under a two-year term. These repayments are retained by the associations and will be used to promote the development of group purchasing activities and setting up collection sites as part of the association's services for members. Land O'Lakes will retain title to the tanks until the final payment is made, and reserve the right to repossess the tank should the group fall delinquent on their payments.

Land O'Lakes participated regularly in BNDA BOD and Committee meetings and delivered assistance to the Boards of Directors of ADPB, NDPA and their regional and local structures on a variety of policy issues and services to members.

Lessons Learned:

The Land O'Lakes donation and assistance for group purchasing resulted in successful follow-up activities of both regional and national dairy associations. These include contracts with national and regional distributors of pharmaceuticals, dairy equipment, feed, seeds, etc.

B. Training for Associations and Members

- During the period July - September, 2002, under the auspices of the CDP project, nine training courses, with 161 participants, were completed in Milk Quality, Mastitis and in Nutrition, rendered to the Union of Dairy Producers "Razvitie" – Dobrich, the regional and local dairy producers associations of Varna, Lovech, Plovdiv, Gulyantzi, Ihtiman, Sofia, Veliko Tarnovo, Shumen, Rousse, Montana, Sliven, Haskovo, Bourgas and the National Dairy Producers Association.

III. THIRD COUNTRY ASSISTANCE

Land O'Lakes/Bulgaria organized a training course for the Land O'Lakes West Bank staff on the major aspects of dairy industry association building, milk production and dairy processing in Bulgaria. The training took place from September 23 to October 6, 2002. Land O'Lakes feels that the knowledge sharing and education of third country training further enhances the Cooperative Development Program's goal of lessons learned.

The trainees met with and conducted discussions with:

- The Chairman of the Bulgarian National Dairy Association, Mr. Trayan Haladjov. Mr. Haladjov gave an overview of the dairy industry in Bulgaria and the history and role of BNDA.
- Ms. Mariana Yungareva, expert at the Association of Dairy Processors in Bulgaria, discussed the structure, role and responsibilities of ADPB, the association's major policy achievements and the association's agenda for 2002.
- Mr. Atanas Kiskinov, Executive Director of the National Association of Dairy Producers, talked about the history, structure, role and responsibilities and major policy achievements of NADP.

During these meetings the participants were presented with the benefits of associating, the challenges these organizations overcame during their development stages, the variety of issues they are working on, how they survey and meet the needs of the membership, how they protect the interests of their members and, as a united force, how they impact legislation and are a valued partner by government.

Dr. Peicho Kopankov, expert at the National Center for Veterinary and Medical Services, discussed the relationship between associations and government and on the harmonization process to EU Requirements.

The trainees were given lectures by prominent Bulgarian specialists in: 'Animal Nutrition' by Prof. Nikolay Todorov from the Animal Nutrition Department of the Thracian University in Stara Zagora; 'Milk Collection and Quality Requirements' by Ms. Nadezhda Petrova, Senior Research Associate at the Institute for Animal Science at Kostinbrod; 'Mastitis in Dairy Cows – Prevention and Treatment' by Dr. Dobri Yarkov, Thracian University – Stara Zagora; and 'How to Ferment Milk Products and Cheeses' by Prof. Maria Baltadjieva, Milk Production Technology Department, Food Industry Institute – Plovdiv.

The participants in the training, together with Ms. Syika Bandakova of the Zashtita Plovdiv Regional Dairy Producers Association, visited dairy farms in Nova Zagora, and in the Plovdiv region. All of the farms visited are association members as well as active participants in Land O'Lakes training programs, and as a result of this have introduced in their farms new farming and nutrition techniques.

Accompanied by Prof. Baltadjieva, they also visited and observed the production process at the dairy processing facilities of Eleonora and Nikolay Velinov in Domlyan, Encho Kostov's dairy processing facility in Saedinenie, also Land O'Lakes US trainees, and

Mr. Zorov's dairy plant in Parshevitza. Mr. Zorov is now Chairman of the Association of Dairy Processors in Bulgaria.

Land O'Lakes/Bulgaria also rendered assistance to the Macedonia MAMA project. The new export promotion program that is being introduced by MAMA for their meat and dairy clients has the primary objective of assisting with the export of dairy products. Mr. Zoran Ralev, Land O'Lakes/Macedonia marketing specialist, visited Bulgaria from October 30 to November 2, 2002, to survey and share the experience of LOL Bulgaria.

Based on the fact that Bulgarian cheese makers are way ahead in this area, Land O'Lakes/Bulgaria provided background information on its efforts in working on this issue. LOL/Bulgaria worked on assisting BG processors to export using several methodologies:

- 1) TA (U.S. consultants) to help processors upgrade their facilities to meet EU requirements.
- 2) U.S. training that included a visit to Chicago Food Expo, and meetings with U.S. sheep feta cheese and *kashkaval* distributors and importers.
- 3) Third country visits (Egypt, UAE, Kuwait, Saudi Arabia) with Sparks trainer for identifying contacts with cheese importers.
- 4) Several courses on marketing (with U.S. trainers familiar with the Middle East cheese market) for export-oriented companies.
- 5) Introduction of annual dairy product contests with the goal to standardize the production and have consistent quality.
- 6) Close contact with the government commissions that issue the export licenses and included them in training courses.
- 7) Training courses on HACCP and GMP.

Land O'Lakes/Bulgaria arranged meetings for Mr. Ralev with managers of companies exporting to EU, Middle East, the U.S. and other countries, government officials and dairy processors associations. From these visits, Mr. Ralev received firsthand information on the most productive methodologies that could be selected and adjusted to the Macedonian environment. He also visited the Balkan Food & Drinks Trade Exhibition in Sofia.

Lessons Learned:

Good institution building and export marketing attract the attention of USAID grantees from other countries.

IV. ACTIVITIES PLANNED

During the next quarter Land O'Lakes will continue working on:

Milk collection co-ops:

- Continue surveying farmers' interest on forming producer collection co-ops.
- Train farmers on co-op formation.
- Assist farmer groups in setting up milk collection sites and milk collection business.
- Business plan development and marketing

Group purchasing:

- Continue identification of dairy producer groups interested in group purchasing.
- Survey and identify possible products and sources of supply and negotiate contracts.

GUATEMALA

I. INTEGRAL VISION DEVELOPMENT

The report for the period April 15 to July 26, 2002, established a new vision from the original one that had been set for Guatemala's Cooperative Development Program. This new approach is being endorsed with several actions that are already achieving positive results.

The most important of these results is a 10-year agreement that will be signed before 2003 between the Ministry of Agriculture, Livestock and Feeding (MAGA) and Land O'Lakes. The agreement will be based on a letter of intent that is acting as the stepping stone and the parameters have been mutually agreed upon.

The main objectives that will be covered by this agreement are the following:

OBJECTIVES

1. Organization of small-scale producers and processors

- 1.1 Training on the production and processing of Guatemalan dairy products
- 1.2 Business training
- 1.3 Support for local, regional, national, and Central American organization efforts.

2. Development of demonstration modules

- 2.1 Model farms (demonstration plots)
- 2.2 Agro-industrial schools and agro-industrial demonstration modules

3. Marketing

- 3.1 Marketing of raw milk
- 3.2 Processing of national dairy products
- 3.3 End consumer

4. Research and utilization of proprietary technologies in production and industry

5. Quality improvement program for the national dairy industry

6. Commercial and academic exchange

- 6.1 Scholarship program
- 6.2 Research
- 6.3 Teaching
- 6.4 Agricultural extension
- 6.5 Learning Program
- 6.6 Research and Development
- 6.7 Farm Extension
- 6.8 Interchange of Technologies

Due to the fact that the dairy sector in Guatemala is in an entire reorganizational stage, the Integral Development Program is demanding integral solutions that take initial action through this long-term cooperation agreement that will be signed between the MAGA and Land O'Lakes.

Furthermore, the "Convenio Marco" (general reference agreement) between the MAGA and Interamerican Institute of Agricultural Cooperation (IICA) enhances and supports the specific initiatives and objectives of the agreement between the MAGA and Land O'Lakes.

II. LAND O'LAKES-GUATEMALA CDP WORK PROGRAM

A. Continued Familiarization of the Guatemalan Milk Sector

(1) Field trips

- Cooperatives, governmental agencies, milk producers organizations, milk producing regions, international cooperation agencies, etc.

(2) Revision and Development of Written Material

- IICA Studies, Investigations and Reports
- MAGA Studies, Investigations and Reports
- Semi-Annual Report (15 April – 26 July, 2002)

B. Requisition of Complementary Documentation and Data

- Private Organizations
- Government Offices
- Other Cooperants

C. Action Plan Application

(1) Short Range Activities

- Development of a New Cooperative
- Assistance to Existing Cooperatives
- Niche Market Development

(2) Middle Range Activities

- Identification of Milk Producing Regions and Development of Organizational Groups (producers and processors)
- Cooperation to Development of Dairy Sector
- National Market Development

(3) Long-Range Activities

- Restructuring of the Dairy Sector
- Research and Development
- External Market Development

D. Parallel Activities to Strengthen the Action Plan

(1) International Visits

- Wisconsin Dairy Expo, LOL-Headquarters and LOL-Honduras

E. Development of Strategic Alliances to Strengthen the Action Plan

- Land O'Lakes - MAGA (Ministry of Agriculture, Livestock and Feeding)
- Land O'Lakes - UNIDO (United Nations Industrial Development Organization)
- Land O'Lakes - INTECAP (Technical Institute of Training)

F. Action Scenario: *Local Level*

- Specific projects

G. Action Scenario: *Regional Level*

- Northern Region
- Eastern Region
- Eastern Highlands
- Western Highlands
- Western Lowlands
- Central Lowlands

H. Action Scenario: *National Level*

(1) Scope of MAGA - Land O'Lakes Agreement

- *Internal Market Development*
- *Reorganization of Products from the External Market*
- *Focalization of Dairy Integral Projects and Regions*
- *Institutional Development of the Dairy Chain*

(2) Academic Sector Cooperation Proposals (research and development and technical training)

- USAC (Universidad de San Carlos de Guatemala – state university)
Research and Development and Extension
- UVG (Universidad de Valle de Guatemala – private university)
Research and Development and Extension

- INTECAP (Instituto Técnico de Capacitación – semi private institution)
Technical Training and Extension
- (3) Private Sector Cooperation Proposals
 - Feed Producers
 - Seed Producers and Suppliers

III. SWOT ANALYSIS OF THE GUATEMALAN MILK SECTOR

After reviewing the SWOT Analysis of the Guatemalan milk sector, CDP/Land O'Lakes has endorsed a course of action to mainly convert weaknesses into strengths. By doing so, Land O'Lakes/Guatemala has identified a number of measures to take in order to obtain an identifiable, feasible and measurable scheme. These measures allow work at all three levels. The project has developed a momentum within the milk sector that is gaining strength at a steady pace.

IV. LEVEL AREAS FOR APPLICATION OF WORK PROGRAM

(1) Local Level

- **Basic Vision**

The vision developed at the local level is directly related to the creation of understandings, links and agreements between the milk producers and the processing plants, a process that derives from the elimination of intermediaries that distort milk quality produced at the farms and milk quality delivered at the plants, as well as bad price levels paid to producers. At the same time, the newly proposed arrangements will develop a direct relationship between producers and processors, giving the advantage of price improvement scales related to producing, delivering and processing milk of better quality and a better quality end product to the consumer market.

- **Specific Projects**

COOPELAC (Cooperativa Integral de Producción, R.L.)

The Mountains and Valleys of Pinula Region already has a functioning cooperative with a membership of twenty-seven (27). They are delivering from their CREL about 3,000 liters of cold milk daily to Lácteos Normandia (median results are 4.24% fat and 3.53% protein, using three 1,300 Bomatic units). The transportation of the cold milk is being done in a stainless steel tank that belongs to Normandia, mounted on a truck that belongs to two cooperative members that are charging transportation fees. Normandia is allowing them to use the tank free of charge.



Pictured above: A milk collection center for COOPELAC

Below: A COOPELAC dairy farm



This is the first stage for COOPELAC's business plan. Reaching the present level of cooperative development involved several different courses of action. The original step was to negotiate with the cheese processor. After reaching an agreement with Normandia, we organized the cooperative.

The construction of the CREL took about three months and was inaugurated on Sunday, December 1, 2002. Present at the inauguration day were cooperative members and their families, the Vice-Minister of the MAGA, the president of the Chamber of Milk Producers, the general manager of the Chamber of Milk Producers, one representative of UNIDO, Judd Robertson from Land O'Lakes-Honduras and the Catholic Priest that served mass.

On a parallel work scheme, we have started to find solutions to the nutritional deficiencies of the herds at the farm level. Here, we initiated an experimental plot with 5 different types of grasses that might function better than the pasture they utilize now. We are receiving assistance from Instituto de Ciencia y Tecnología Aplicada (ICTA), an entity of the MAGA. Furthermore, they will start making trench silos to make silage out of their own crops.

The next step is to engage in a joint manufacturing venture of a line of processed cheeses between COOPELAC and Normandia. Start-up begins in January 2003. By doing so, the cooperative will reach a new level of profitability, not only through delivering cold milk but also through the industrialization of their own milk. The new stage will also allow them to reach markets at the consumer level. They are developing a brand of origin called the Mountains and Valleys of Pinula. This brand development will be preliminary as the cooperative grows and knowledge of the market increases.

PETENLAC

Land O'Lakes will help PETENLAC revitalize this organization into an ambitious future with a humble initiative and a realistic plan of action.

Land O'Lakes started visiting PETENLAC about six months ago and, from the beginning, detected abnormalities and wrong doings. Fortunately, on December 18, we had the final intervention of a long awaited action from USAID-Guatemala to reorganize the situation and to allow the development of an action plan devised by Land O'Lakes-Guatemala to help PETENLAC regain market share and profitability.

The course of action will begin in January 2003, although advanced preparation has begun, with several visits to PETENLAC and time invested in planning. The original plans for this cooperative were to mainly run a pasteurizing milk process with cream and fresh cheese manufacturing; however, to be able to reach minimal success with this approach, they needed an additional investment of about US\$349,000 in equipment plus a large sum of working capital. Land O'Lakes feels that the original

approach stated above is not feasible and unrealistic for this cooperative. Together, we have developed an alternate plan based in artisan processed cheese manufacturing with some additional table cheeses. These higher-value-added milk products will make the difference between failure and success. Although the Peten market is small, we are planning to start this production line with daily milk processing between 1,000 and 2,000 liters. This level of processing is adequate for the Peten area and will function as a stepping stone for a more elaborate business plan in the future for PETENLAC.

Since the PETENLAC facility has no electricity, we have reached the highest Guatemalan governmental authorities to authorize its connection to the public service line. In the event the petition to the government does not receive approval, we will engage at the small level of production on the premises of a cooperative member in the town of El Chal. PETENLAC is on the outskirts of this town. This member's property has electricity and can support our initial small production phase.

For the initial production stage, a volunteer will complete the initial assessment with follow-on consultancy from Mr. Fonger Smits, a cheese master who will visit during January 2003. Due to the lack of electricity at PETENLAC, a training and first production run will take place at the NORMANDIA facility.

XELAC

This cooperative has been operational for about 28 years. It was initiated by the cooperation program from HELVETAS, the Swiss government international aid organization, by a donation of equipment, infrastructure, training and an operational standing that lasted many years. The cooperative membership totals approximately 78 members. They come from four different regions in the western part of Guatemala. Cooperative members do not have a harmonious relationship at this time. Land O'Lakes hopes to re-establish a sense of unity, marketing strength and productivity among members for future long-term success.

At the present time, we have delivered two 1,300-liter Bomatic units that are to be installed in two different regions, the San Carlos Sija (highland region) and the Centro #1 La Maquina (coastal region). Both of these towns have cooperative members that belong to XELAC. The development of these CRELs is conditioned by XELAC's acceptance of Land O'Lakes cooperation plan and a set of preconditions to make it functional.

Additionally, their costing system integration needs revision and restructuring, as well as their milk pricing scale for supply members. The prices the cooperative pays its members are not adequate, due to competing plants that are paying higher prices related to the solid contents of the milk being supplied. XELAC needs a different marketing approach, with a resurgence of general good business practices knowledge, currently nonexistent at the Board of Directors level. Land O'Lakes is coordinating

with INTECAP a short training program for the board members and for any other member that should be willing to acquire this knowledge. The program will include entrepreneurship concepts, basic accounting, production guidelines and marketing tools.

Land O'Lakes believes that XELAC also needs a complete revision of its cooperative operational system. Current knowledge and understanding of best practices in operating an effective cooperative are not being utilized.

We have presently initiated an analysis of the operational costs of XELAC and, so far, they have been hesitant to provide full information regarding requests on this matter. During the first quarter of 2003, we will approach the newly appointed general manager in order to continue this revision. We will also initiate a process to develop a letter of intention for the proposed cooperation. Hopefully, we should have a cooperative agreement by February 2003

The reorganization concept for XELAC includes the extension of its present product line to include the manufacture of high quality ice cream with a range of flavors. For this purpose a volunteer will also visit this site.

VERALAC

VERALAC has about 25 years of existence and, at a certain point, its total membership was as high as 400 members. At present, there are about 90 members. An analysis has begun as to what has caused the dramatic decrease in member numbers, and it appears that internal strife and misunderstanding have caused decay in overall membership.

To further this situation, for a year's time VERALAC was related to an NGO that used a donation of US\$ 50,000.00 to allegedly benefit PETENLAC. The expected benefits have been very hard to find and, starting the coming year, the joint cooperation of the NGO with VERALAC to PETENLAC will terminate.

Aside from the referred events, Land O'Lakes has been working with the leadership to make some of its equipment functional. Focus within this relationship has been on the true understanding of cooperative development, but the response from management has not been reciprocal.

(2) National Level

- **Basic Vision**

"Revolution for Evolution" - A motto and spirit for better functional local and regional levels of the Milk Production Chain would ease the development of national level schemes of work that should include general policies, norms and standards based on factual activities and not on theoretical positions, maybe just based on other realities or idealistic presumptions. The strong linkage between all levels should provide an environment of certainty in business activities related to the milk sector, a solid vision of prosperity within the country and a social impact for bettering nutrition throughout the nation.

- **Specific Projects and Expected Impact**

The closeness of cooperation and relationship between the MAGA and Land O'Lakes is deriving the vision of the integral development of the milk sector into an operational reality.

The President has signed a government decree that from now on and on a permanent basis, from the 30% ownership participation from the government in BanRural (Rural Development Bank), 25% of the bank's profits will be turned over to the Dairy Sector.

The work initiated by Land O'Lakes has developed such enthusiasm in the sector as a whole, especially with the MAGA, the Chamber of Milk Producers and IICA, that Land O'Lakes has become integral to the restructuring process of the Guatemalan Dairy Sector. This integrated cooperation among NGOs, governments and private organizations will serve as a model to replicate throughout the country.

The government is now beginning discussions for the development of 100 CRELs in Guatemala and has requested Land O'Lakes to coordinate this effort. Such events would be a key part of the plan derived from the cooperative agreement already established between the MAGA and Land O'Lakes.

(3) Regional Level

- **Basic Vision**

The regional level should be a consequence of a better-structured and better-developed local level. The need to strengthen the organization at the regional level is urgent because it would open the possibilities of developing economies of scale that are presently nonexistent in the country. With this type of arrangement, all supporting actions and programs to develop an adequately structured MPC could be

more effective and would have an optimal environment for development that would allow having them appropriately created, implemented, accommodated, perceived and recognized. The end result would be a general saving of efforts and of improvement in the usage of resources as a tribute to national progress.

- **Specific Projects and Expected Impact**

Queseros Artesanales and Milk Producers of "San Juan Bautista"

Queseros Artesanales and Milk Producers of "Zacapa"

Queseros Artesanales and Milk Producers of "Asuncion Mita"

Queseros Artesanales and Milk Producers of "Taxisco"

All of the detected regions will be an integral part of the restructuring program for the dairy sector in Guatemala. Since the conception of the integral development vision, each of the identified regions added to the Mountains and Valleys of Pinula region, the Western region under the influence from XELAC, the North Central region with VERALAC and the Northern region with PETENLAC, will become the basic framework for the dairy sector since artisan cheese manufactures use 70% of the milk produced in Guatemala. The strengthening of this area of the dairy sector is also crucial for social development and for the recognition of milk as a important nutrient in the daily diet of a well-nourished society.

V. PERIPHERAL AREAS OF SUPPORT FOR APPLICATION OF WORK PROGRAM

- Government cooperation = MAGA, MINECO, MISALUD
- International cooperation = UNIDO, IICA
- Other social sector cooperation (media, entrepreneurial organizations, tourism industry, state and private school system, high academic sector, technical education, etc.) = Prensa Libre (newspaper), GUATE VISION (Cable TV), INTECAP, Universidad del Valle and Universidad San Carlos, ALIMENTOS EL PRADO, PROINSA and ALIANSA (feed producers and feed raw material suppliers) and SEMECA (seed providers)
- International business linkages (supplies, cattle, insemination, medicines, supplements, equipment, machinery, seeds, technology transfer, etc.) = U.S. Dairy Link

VI. SUPPORT MECHANISMS AND ORGANIZATIONAL TOOLS FOR DEVELOPMENT OF WORK PROGRAM

Consultant Visits

- **Barry Lasure** (cooperative financing)
- **Mel Jolly** (plant inspections)
- **Additional requests:** processing, spot training, permanent educational program, marketing, product development, brand development, accounting programs, sales programs, market studies and analysis, etc.

VII. ADDITIONAL ACCOMPLISHMENTS OF THE WORK PROGRAM

Land O'Lakes cooperation will be crucial to the government's "Dairy Products School Program" that will start in January 2003. Under this program, milk and milk products will be distributed using an initial daily supply of 30,000 liters. Land O'Lakes has suggested extending the concept of a "glass of milk" to the concept of a "glass of milk, with tortilla and cheese." This integrated concept includes emphasizing the nutritional importance of raw and processed milk in the health education of children.

CDP continues to work with the International Indian Treaty Council, Central America Office (IITC/CA). IITC/CA organized a round table for indigenous cooperatives and associations ascribing to "Defensoria Maya," an organization representing indigenous people in Guatemala. The event took place on September 19 and 20, 2002.

TANZANIA

Land O'Lakes/Tanzania under CDP continued to strengthen dairy farmer co-operatives through technical assistance and training workshops on strategic business management and marketing development.

Activities in Tanzania during the past semi-annual period have been focused on the following areas:

1. ENTERPRISE DEVELOPMENT

In order to facilitate improvements in the dairy sector resulting in efficient milk production, quality control, processing, marketing and financial management, Land O'Lakes undertook the following activities to continue stimulating the dairy sector.

- (i) ***Training workshop on Business Management and Record Keeping (September, 2002)*** – It was determined that most of the dairy cooperatives lack managerial skills and professional competence to undertake cooperative management accounting. It was also noted that a lack of effective participation and control of the co-operatives over business planning and management contributed to improper record keeping and financial control.

In order to facilitate a better business and marketing plan, the following areas were examined:

- (i) *Description of Business* - what type of business one is planning?
 - (ii) *Market plan* - by analyzing potential customers, market share, competitors and product promotion.
 - (iii) *Organization plan* - looking on how to manage business, employees qualifications, record keeping and management regulation.
 - (iv) *Financial Plan* – by identifying sales volume vs. profit, monthly sales income, break-even point, working capital and loan logistics.
- **Approach** – Worked with reputable consulting firm on co-operative business management to determine responsibilities, relationships, and control and ownerships roles in the cooperatives/groups.
 - **Lesson Learned** – Most of the dairy business co-operatives operate without sound business and marketing plans.

- **Impact** – Some of the dairy cooperatives who were not used to co-operative management accounting have now started to infuse into a new attitude of using accounting documents after training.
- **Strategy** – Assist co-operatives in solving their accounting problems by helping them to create a good working infrastructure.



Participants for the training workshop on Business Management and Record Keeping organized from 4th – 6th September 2002 at Umoja Hostel Moshi - Kilimanjaro

- (ii) ***Training seminar on ways of raising capital for dairy development projects (September, 2002)*** – The Land O'Lakes/Tanzania team, Business Cooperative Development Specialist (co-operative officer- Moshi district) and a Dairy Business Development Specialist from Land O'Lakes/Kenya collaboratively conducted a seminar on Business Planning Skills, Financial Management, i.e., use of Cash Flow Forecast for more business opportunities and economic growth. Participants studied some ways of raising capital:

- Ordinary Shares,
- Redeemable Shares,
- Commercial borrowing and
- Donations

For sustainable cooperative development, dairy cooperative projects prefer **ordinary** and/or **redeemable** shares as ways of raising capital to commercial borrowing due to stiff loan conditions imposed by Microfinance Institutions (MFIs) and lack of collateral.

▪ **Lessons Learned:**

- For the time being, dairy cooperatives in Tanzania are practicing milk retention schemes (check-off systems) to raise their shares.
- Most of the cooperatives do not have cash flow forecast or cash flow statements to detect their business trends.

- **Strategy** – Representatives from each cooperative will be given more intensive technical assistance to help practice cash flow planning and break-even analysis for sustainable development.

- **Expected Impact** - Cooperatives to have reliable business records for short- and long-term business and marketing plans.



Participants of the seminar on ways of raising capital for dairy co-operatives organized on 17th September 2002, at Arusha View Hotel – Arusha from left, sitting: David Odongo, Cooperative Specialist A. Burreta and Elizabeth Njiu

- (iii) ***Participation in the national agribusiness exhibitions*** - With the objective of expanding the dairy-market and benefiting the cooperatives, Land O'Lakes organized and facilitated the dairy co-operative processors to participate in the *National Agribusiness Exhibitions conducted in Morogoro Region from 1st – 10th August 2002.*

The exhibition focused on product-marketing, the following cooperatives marketed and sold their dairy products.

DAIRY PRODUCTS SOLD DURING THE AGRIBUSINESS SHOW

(KILIMANJARO AND ARUSHA CO-OPERATIVES)

GROUP/COOP' NAME	Products Sales/Day (in Kilograms)														
	Gouda	Hard cheese	Cheddar	Mozzarella	Smoked Mozzarella	Kasciota Cheese	Goat Cheese	Tilster/ semi-soft	Canembert	Butter	Ghee	Pasteurized	Cultured	Traditional Recipe	TOTAL
1. KIJIMO				6	10			20	4	8					48
2. IDAFASO	7			12						4				20	43
3. MEDAFA	32									20					52
4. NRONGA										10		40	400		450
5. KALALI	12		10	5		4					3			10	44
6. CHEMUCO		20												50	70
7. AGAPE	10		5	7										55	77
8. MANA GROUP	13		3	4						4					24
9. INUKA GROUP														45	45
10 PENDANENI										3	3			5	11
11. MLOLOSI											6			40	46
12. UPENDO							30								30
13. MAKAU HP	5		20	5											30
14. ADCL											6		980		986
TOTAL	79	20	48	39	14	4	30	20	4	49	18	40	1380	225	1970

Source: Sales analysis during the Agribusiness Exhibition (Nane Nane Show)

TOTAL SALES INCOME DURING THE EXHIBITION

S/N	Group/Co-operative Name	Units Sold (In Kg)	Total Sales (In 10 days)
1	KIJIMO	48	648,000/=
2	IDAFASO	43	516,000/=
3	MEDAFSA	52	702,000/=
4	NRONGA	450	2,025,000/=
5	KALALI	44	660,000/=
6	CHEMUCO	70	420,000/=
7	AGAPE	77	1,039,500/=
8	MANA GROUP	24	288,000/=
9	INUKA GROUP	45	405,000/=
10	PENDANENI	11	115,500/=
11	MLOLOSI	46	414,000/=
12	UPENDO	30	495,000/=
13	MAKAU HP	30	360,000/=
14	ADCL	986	4,437,000/=
		1970	12,525,000.00

*Hint: * ADCL – Arusha Dairy Company Limited*

** 1 US \$ = T.Shs 950*

- **Lesson Learned** – Producer and processors participation in agribusiness exhibitions or dairy products promotion improves product quality and business partnership.
- **Impact** – MEDAFSA, AGAPE and KALALI dairy cooperatives, secured reliable new markets for **cheese**, while NRONGA and ADCL secured market for **butter** and **cultured milk**. These new markets are in Dar es Salaam and Morogoro.
- **Strategy** – Land O'Lakes solicits participation to develop co-operation and competition among them (processors).



Minister for Water and Livestock Development Hon. Edward Lowasa admiring Dairy Products during the Nane Nane Exhibitions organized from 1st – 10th August 2002

- (iv) ***Product Marketing and Distributions*** - Land O'Lakes through business, marketing, financial management trainings, and dairy cooperative processors have developed confidence in identifying new markets (e.g., AGAPE Women Group is currently selling 60 kg of cheese a week at Novel Hotel and KALALI Women Group is also selling about 50 kg of cheese a week to Impala Hotel.) Tourist hotels are now considered to be reliable market for the dairy product particularly during the tourist season.

Tanzania Food Processors Association (TAFOPA) organized a Mini-Agricultural/Livestock Food Exhibition in November 2002 in Arusha Municipality. Land O'Lakes played a role of soliciting dairy farmer co-operatives to participate in this event. The participating groups such as KIJIMO, AGAPE and MEDAFA secured and expanded their dairy products market.

- (v) ***Effective milk collection and quality control*** – Establishment of five (5) new milk collection centers with cooling facilities is under way. Land O'Lakes seeks to assist member communities to accommodate milk production which range from 800 liters during the dry season to more than 1500 liters during the rainy season.

Land O'Lakes campaign strategy has stimulated the following dairy cooperatives to put up infrastructures using their own resources:

- (i) Kijimo Women Group has rented a building for milk collection center and the following costs were absorbed by cooperative members:

S/N	Activity	Cost US \$
1	Renovation and Alteration.	1,050.00
2	2 years Rent.	1,200.00
3	Labor charges.	262.50
	Total costs	2,512.50

- (ii) Ikunda Dairy Farmers Society (IDAFASO); cost-analysis for their premises:

S/N	Activity	Cost US \$
1	Acquisition of a plot, contract and lease	2,100.00
2	Blocks/Bricks work (aggregates, sand and cement)	1200.00
3	Roofing work (Timber, Iron Sheet and Nails).	500.00
4	Frame works; doors window and vents	520.00
5	Plumbing, Fittings and Material	470.00
6	Lining and Soft finishing; Lime, Paints, Cement	400.00
7	Labor charge	1020.00
	Total Costs	6,210.00



IDAFASO Office and the Milk Collection Center Building

- (iii) Meru Dairy Farmers Association (MEDAFA) acquired unfinished building and underwent renovation/alteration.

S/N	Activity	Cost US \$
1	Acquisition of a plot, contract and lease	1,500.00
2	Blocks/Bricks work; (Aggregates, sand and cement)	800.00
3	Roofing work; (Timber, Iron Sheet and Nails).	250.00
4	Frame works; doors window and vents	300.00
5	Plumbing, Fittings and Material	150.00
6	Lining and Soft finishing; Lime, Paints, Cement	200.00
7	Labor charge	400.00
	Total Costs	3,600.00



MERU Dairy Farmers Association (MEDAFA) milk collection center under construction

- (iv) Marukeni Women Dairy Co-operative Society: The cooperative has constructed its new cooperative premises, and the cost involved is as follows:

S/N	Activity	Cost US \$
1	Acquisition of a plot, contract and lease	1,800.00
2	Blocks/Bricks work; (Aggregates, sand and cement)	2,350.00
3	Roofing work; (Timber, Iron Sheet and Nails).	968.00
4	Frame works; doors window and vents	800.00
5	Plumbing, Fittings and Material	650.00
6	Lining and Soft finishing; Lime, Paints, Cement	1,000.00
7	Labor charge	1,892.00
	Total Costs	9,460.00

- (v) Nronga Women Dairy Co-operative Society rented a house for installation of cooling tank. The cost break-downs were as follows:

S/N	Activity	Cost US \$
1	Renovation and Alteration.	950.00
2	2 years Rent.	600.00
3	Labor charges.	337.00
	Total costs	1,887.00

2. COMMUNITY DEVELOPMENT

Under this aspect Land O'Lakes has been assisting more than 25 villages with about 3000 dairy producers to improve their skills, knowledge and business opportunities. Also, gender analysis has been in place to support women's groups engaged in dairy production, processing and marketing, which is why we have more women dairy cooperatives than other dairy groups.

For aggressive marketing and business exposure Land O'Lakes has been encouraging women to participate in the Agricultural Food Exhibitions as it happened for Nane Nane Agribusiness Show in Morogoro. This also has driven women's groups to participate in raising funds for community-based projects, e.g., AGAPE – construction of village dispensary, MARUKENI and NRONGA – road maintenance.

3. DEMOCRACY INITIATIVES

For the six-month time period of July-December 2002, through program implementations, Land O'Lakes has been providing technical assistance, trainings and advisory services to the dairy farmer co-operatives particularly in Kilimanjaro and Arusha regions on aspects pertaining to:

- (i) Open membership, whereby some groups have increased their members up to 50%, e.g., KIJIMO from 30 members to 45, IDAFASO from 50 members to 65 and MEDAFA from 30 members to 43.
- (ii) Responsibilities, interrelationships, control and ownership roles in the cooperatives.

- (iii) The effect of corruption and lack of transparency in the running of the affairs of the cooperatives.
- (iv) Accountability of employees to cooperative.
- **Lesson learned** – Most of the cooperatives lack trust and transparency among potential members and too much control of the Board of Directors.

4. FOOD SECURITY

With the new milk coolers in place, cooperatives or individuals are encouraged to diversify products with value-added dairy products and joint marketing. The effect of this will not only reduce milk losses, but also will improve household income and food security to the community.

5. POLICY REFORM

The National Dairy Sector Stakeholders have submitted to the Minister of Water and Livestock Development a draft of National Dairy Industry Bill. It is expected that the Minister will consult the Attorney General before sending the Bill to Cabinet and the Parliament.

The parliamentary session of January 2003 is expected to deliberate and pass this Bill, aiming at nullifying the 1965 National Dairy Industry Act, which has been inactive for the past 35 (thirty-five) years.

The workshop on milk marketing for East and Southern Africa Region, held at Mombassa – Kenya on 25th – 28th November 2002, involved government representatives; regulatory authorities; non-governmental organizations; producers; and processors put much emphasis on reviewing the dairy industry policy to suit the liberalized dairy marketing environment.

6. HEALTH AND NUTRITION

Since the School Milk Feeding Program can also attribute to the favorable balanced diet and market expansion, Land O'Lakes has been soliciting dairy farmer cooperatives to participate on the ongoing pilot school feeding program in the Northern Milkshed (Kilimanjaro and Arusha).

The following are the beneficiaries of the School Milk Feeding Program which is coordinated by Kilimanjaro Dairy Network (KDN):

Kalali Women Dairy Cooperative is distributing ¼ liter of milk per pupil to the following schools: (twice a week)

Name of School	No. of Pupils
(a) Nkwarungo Primary School	- 1672
(b) Nkoamwasi Primary School	- 1242
(c) Machame Primary School	- 1759
(d) Nkoamwaka Primary School	- 662
(e) Nkoanya Primary School	- 870
(f) Kiseni Primary School	- 322

Nronga Women Dairy Cooperative Society is supplying ¼ liter of milk per pupil to the following schools: (twice a week)

Name of School	No. of Pupils
(a) Nronga Primary School	- 1280
(b) Naluti Primary School	- 1180
(c) Lambo Primary School	- 836
(d) Nkoamwaka Primary School	- 662
(e) Nshara Primary School	- 160

Arusha Dairy Company Limited is supplying milk to the following schools in Kilimanjaro, twice a week:

Name of Schools	Pupils
(a) Kiboriloni Primary School	- 1000
(b) Rau Primary School	- 720
(c) Muungano Primary School	- 800

The plant is also supplying milk to the following schools in Arusha (twice a week),

Name of Schools

	Pupils
(a) Kijenge Primary School	- 2700
(b) Olorieni Primary School	- 1700
(c) Kaloleni Primary School	- 1700
(d) Lemara Primary School	- 1200
(e) Njiro Primary School	- 800
(f) Assumption	- 130
(g) St. Joseph	- 100
(h) Compassion academy	- 40

Arusha Dairy Plant (ADCL) and Dairy Co-operative Processors are selling a packet of ¼ liter at 80/= T.shs instead of the market price of 100/= T.Shs. The school milk program is funded by dairy farmers (parents with children), 80/= T.Shs. comes from parents and 20/= T.Shs. from processors.

▪ **Lessons Learned**

- Some parents are unable to pay for this service, which has created segregation among the pupils, making the program difficult to manage, which might ultimately result in the failure of the program.
- Well-wishers have started to support the program such as:

PAMOJA (Kilimanjaro Joint Action Project), a Netherlands based NGO, has been contributing 25%-50% of the total cost for the past six months, effectively from July – December 2002. Also supporting the following local NGOs:

- a. ***PHC Ambassadors Foundation*** for undergoing medical check-ups to gauge the malnutrition and hemoglobin (HB) level of the students.
- b. ***Consolidated Education Foundation (CEF)*** for evaluating academic performance, class attendance and concentration of the students.
- The School Milk Feeding Program is an engine of growth in terms of production, consumption and economic growth from increased milk demand.



Kaloleni Primary School Pupils enjoying milk during Milk Promotion Campaign in their school.

Expected Impact and Measurement – (July 1999 – December 2002)

At least 6 (six) farmer/cooperatives have improved their operating and management activities. These include:

- (i) Kijimo Women Group.
- (ii) Ikunda Dairy Farmers Society.
- (iii) Meru Dairy Farmers Association
- (iv) Nronga Women Dairy Co-operative Society
- (v) Ng'uni Dairy Farmers Co-operative Society.
- (vi) Marukeni Women Dairy Co-operative Society.

Name of Group	Year 1999			Year December 2002		
	No. of Members	Milk Collected Liters/day	Income/Day T.Shs.	No. of Members	Milk Collected Liters/day	Income/Day T.Shs.
NRONGA	75	400	85,000/=	367	1800	756,000/=
MARUKENI	100	300	100,000/=	307	720	144,000/=
NGUNI	100	350	75,000/=	185	600	258,000/=
KIJIMO	12	80-100	36,000/=	45	300	120,000/=
MEDAFI	12	120-150	54,000/=	43	400	160,000/=
IDAFASO	12	80-100	34,200/=	65	380	152,000/=

7. FUTURE PLANS

Cooperative Development Program/Tanzania future plans include:

- Effective Milk Collection and Quality Control.
 - Conduct training on how to operate and manage the milk collection centers (sanitation, reception and testing).
- Improving Milk Handling Practices
 - Conduct training on milk handling and hygiene to the informal milk hawkers, who handle more than 90% of the milk produced in Arusha and Kilimanjaro.
- Improving Management of Dairy Processing Operations:
 - Assist expansion of processing capacities through accessibility of processing equipments, affordable and quality packaging materials as well as education on efficient distribution systems.
- Diversification of Dairy Products:
 - Assist diversification of dairy products to compete in the free market economy. This includes new product development, diversification of pack sizes, so as to access different market niche at relatively affordable prices.
- Marketing and Distribution:
 - Identify new markets, encourage dairy products exhibition and strengthen the links among dairy stakeholders. Effectively advertise the collection centers and the products, connecting them to the market (hawkers and

large-scale processors). Assist collection centers and processors to design efficient distribution channels.

- Improve business management and record keeping in the collection centers.
- Strengthen gender sensitivity by encouraging women to participate and improve their production and marketing practices.
- Strengthen on-farm production practices in order to improve quality and volume to boost the collection centers businesses.
- Conduct training, technical assistance and advisory services in co-operative strengthening and management.
- Continuous Dairy Promotion Campaigns.

Overall Strategy – Create financially strong cooperatives that meet the needs of members.

Overall Lessons Learned

- Cooperative trainings should be supported with data and living examples to encourage the trainees and let them understand that they are doing a practical economic exercise, as it has worked for others as well.
- There is a potential market for dairy products. What is needed is to improve product quality, availability and distribution network. A good market example was shown in Morogoro township (located at the central part of the country) during the exhibition, whereby participants secured a market for their products.

LAND O'LAKES ORGANIZATIONAL STRENGTHENING

Increase Cooperative and Association Knowledge of IDD:

Land O'Lakes continues to work on institutionalizing cooperative development expertise within the International Development Division. Staff have received training both informally and formally. Land O'Lakes also continues to promote the project work that is occurring internationally, including encouraging staff and cooperative members to actively participate as volunteers on short term assignments.

Land O'Lakes Promotion of USAID:

It is Land O'Lakes International Development Division's continued goal to build the organizational commitment of Land O'Lakes membership to support USAID and international development activities. Several ways that information on USAID and Land O'Lakes projects is shared include:

- The division hosts a booth at Land O'Lakes Annual Meeting to explain its goals and activities. The division presents to the Young Producers group as well, to promote support for international development among our cooperative's future leaders.
- A web site highlighting Land O'Lakes USAID projects, including CDP, has been developed (www.landolakesidd.com).
- A quarterly newsletter with information on USAID-funded projects is sent to approximately 1,300 people, including Land O'Lakes members, employees, volunteers, consultants, and other interested parties.
- The International Development Division sends out information packets discussing USAID and development projects on a regular basis upon the request of interested persons and as handouts to visiting groups.
- As appropriate, members and employees of Land O'Lakes are utilized for technical assignments.

Cooperation with CDO partners:

Land O'Lakes works with a variety of CDO partners:

- Land O'Lakes is assisting HealthPartners to mature as a CDO internationally. HealthPartners was awarded official registration status with USAID as a private and voluntary organization (PVO) in January 2001.
- Land O'Lakes is a subawardee to Winrock International and ACDI/VOCA on several new Farmer-to-Farmer programs in the NIS; a subawardee to Winrock in Guinea on an agricultural development project and in Nigeria for cooperative development; and a subawardee to Mercy Corps International in Mongolia on their Gobi Regional Economic Growth Initiative.
- Land O'Lakes continues to explore viable partnering opportunities with CDOs on future projects.

UGANDA (HealthPartners subaward)

Progress Towards IR's

Activities

Growth and sustainability have been the focus of the past six months for the Uganda Health Cooperative (UHC.) In order to reach sustainability, the health plan must make enough money to cover health care expenses and administrative costs for running the plan. In an effort to increase potential for sustainability, UHC has implemented different approaches ranging from increasing premiums to increasing co-pay, from reducing services to starting a community fund to reduce administrative costs. The results of these different approaches will be compared at the end of six months and evaluated to determine the most successful approach.

The Uganda Health Information System (UHS) database continues to function well in all provider locations. Administrators enter data and run reports regularly. In response to requests for additional data, a consultant has been hired to adapt reports such that billing and financial tracking may be added. The systems were networked in November and data may now be accessed remotely via the internet by the technical advisor.

Scott Aebischer, Senior Vice President Customer Service and Product Innovation, visited Uganda in October 2002 to continue training, work on management issues, and provide contracting and budget planning for 2003. During this trip Scott and the Uganda Health Cooperative (UHC) team attended the launch ceremony for Comboni Hospital and worked on the preventive health care plan and the marketing plan. The team also worked on plans for establishing the Uganda Health Cooperative board of directors.

Summary of Intervention

- Continue to work with leaders group to improve systems, enhance communication and produce results.
- Presented ideas and options for reinsurance
- Facilitated women's group training on building water tanks for clean local water supply.
- Changed marketing plan to include testimonies from satisfied members, increased involvement from political leaders and printed promotional materials.
- Established office and hired staff in Mukono; launched FINCA health plans.
- Collected UHS database reports regularly from Bushenyi Medical Center and Ishaka Hospital.
- Continued to improve UHS environment and enhance skills of database users. Trained users and provider staff on reading and interpreting UHS reports.
- Gathered data for reports improvement. Hired consultant to implement database changes.

- Negotiating partnership with Savanah Sunrise Clinics in Kampala.
- Working on benefit plan and contract with Rugarama Health Center in Kabale.

Impact/Results from Overall Program

- Uganda Health Cooperative (UHC) Participating Providers, Kampala
 - Bushenyi Medical Health Centre
 - Ishaka Hospital
 - Comboni Hospital
 - Mukono Health Centre
 - Rugarama Health Center
- Current Groups
 - Kigoma dairy co-operative(Bushenyi)
 - Buwheju tea co-operative (Bushenyi)
 - Bitereko/Nyakisiro UWESO (Bushenyi)
 - Igara tea factory (Bushenyi)
 - Bumbaire coffee co-operative (Bushenyi)
 - Kashozi dairy co-operative (Bushenyi)
 - Kanyinya tea cooperative (Bushenyi)
 - Uganda Microfinance Union (Kampala)
 - Finca groups (Mukono)
 - Kiyaga
 - Kihungye
 - Nyakashaka
 - Asasulude community group
 - Ntambiko drama group
 - Katinda women's singers
 - Gongo Twefeho microcredit group A
 - Gongo Twefeho microcredit group B
 - Mashonga traders
 - St. Mary's College secondary students
 - St. Mary's College secondary teachers/staff
 - Igara tea factory employees and families
 - FINCA Kiddawalime Group
 - FINCA Tusubira
 - FINCA Gonga
 - FINCA Kitega A and B
- Prevention Retention Plan initiatives
 - Mama kits (supplies for safe birthing and infants)
 - Deworming
 - Household and personal safety

- Improved hygiene and clean water
- Smartnet insecticide treated bednets

UHC partners with another USAID project, Commercial Market Strategies (CMS), to distribute insecticide-treated bednets to health plan members. This program began in Bushenyi. Providers contribute to the cost of the bednets, which reduces the cost for members to 8000 Shs (\$4.50 US) each with a limit of three (3) nets per household.

Smartnet successes include improved utilization, decreased incidence of malaria and cost savings for providers. The community perception is that when you join the scheme you don't get sick!

Potential Issues/Hurdles/Results

- Finding ways to finance administrative services of the health plans continues to be a challenge due to low incomes.
 - Options are being tested to measure the most successful method of matching costs to payments
- Database staffing has been a challenge in the past and may present challenges for this next quarter. It is difficult to find technicians with skills necessary to train and maintain the UHIS Oracle-based platform. Although the director of Computer Facilities (our hardware resource) has promised continuity in service, he is leaving the country and we will be working with a new consultant.

Proposed Next Quarter Activities

- Test new UHIS reports in Bushenyi and Ishaka.
- Collect data and create index for the comprehensive guide for prepaid health care development.
- Renew provider contracts.
- Evaluate premium structure.
- Increase premiums with sensitization.
- Continue to work on strategies for creating Operating Board.
- Continue to implement cost saving measures.
- Solicit a group of physicians and health care leaders to develop best practices.
- Improve survey utilization and review process.
- Continue to increase marketing and expand to provide health care coverage to new groups.
- Increase work with the Ministry of Health on National Health Policy.

Promotion of USAID and International Development Efforts

- Created new marketing materials in Uganda.
- Updates are provided on a quarterly basis through www.HealthPartners.Com, “Who We Are,” “HealthPartners in Uganda.”

ATTACHMENT A

Financial Report

ATTACHMENT B

Policy Impact Table from Bulgaria

Policy Impact Table – Bulgaria

<i>Date Enacted</i>	<i>Impact</i>
January-98	Possibility for association members to apply for bonuses for high-quality milk.
January-99	The Council of Experts of the Ministry of Industry approved the Strategy for the Development of the Bulgarian Dairy Industry by Year 2001. Recommendations made were incorporated and the final copy submitted to the Council of Ministers by the end of 1998. This is the first food industry strategy developed through the active participation of business associations. It was given high recognition by the Council of Experts and was recommended to serve as the leading trend in the development of industry-related strategies and policies.
August-99	Gives opportunities to association members to produce and export organic products and receive higher incomes
September-99	Harmonization of Bulgarian legislation with EU legislation
March-00	Saves approximately USD 20 million a year to the industry members
June-00	Harmonization of Bulgarian legislation with EU legislation
Oct-Nov 2000	To this moment with the participation of BNDA and ADPB, 596 dairy processing operations and 1,473 milk collection sites have been inspected in 28 regions. 72 of the dairy processing enterprises have been licensed to export their production to countries outside the EU, 4 have been licensed to export to the EU countries, and another 5 are in the process of being licensed to export to EU countries.
November-00	Harmonization of Bulgarian legislation with EU legislation
April-01	The total amount of the state financial support for documented quality milk is 2,700,000 Bg leva (1,350,000 USD) for six months, i.e., 450,000 Bg leva (225,000 USD) per month. Taking the average milk production for the whole year, it means that the state is providing financial stimulus for 13% of the milk produced.

<i>Date Enacted</i>	<i>Impact</i>
January-01	The transfer of licensing procedures from the control of the government institutions to the private sector. This means that less time will be required for processing of the necessary documents.
	The Ministry of Agriculture through the State Fund Agriculture has granted a total of 2,670,000 Bglv (approx. 1,335,000 USD) as a result of the Agreement signed between the National Association of Dairy Producers (NADP) and the Association of Dairy Processors in Bulgaria (ADPB) which defines the direct involvement of MOA in the system for milk procurement through creating bonuses for documented purchases of quality milk. The efforts of NADP, focused on convincing the Government to extend the period of the program, have resulted in the Government prolonging the duration of the program on an annual basis and thus giving the opportunity for more members to apply and benefit from it. As of April 2002 the program will also include buffalo producers, and as of 2003 sheep and goat milk producers will also be included.
Jun-05	<p>Being recognized as reliable counterparts by the Government of Bulgaria, the Bulgarian National Dairy Association (BNDA), ADPB and NADP were included in the Consultative Council on Milk Issues to the Ministry of Agriculture and Forestry. The Council is comprised of representatives of MOA, the Ministry of Economy, the Ministry of Finance, the State Fund Agriculture and the National Veterinary Control Services.</p> <p>The Ministry of Agriculture through the State Fund Agriculture initially granted a total of 2,200,000 Bglv (approx. USD 1,100,000) for the period April – September 2002, then an additional amount of 170,000 Bglv (approx. USD 85,000) was granted for the period October – November 2002. The amount granted for year 2003 is 4,600,000 Bglv (approx. USD 2,300,000).</p> <p>An incentive program for stimulating farmers breeding animals with high genetic potential is being developed by NADP and the Agency for Control of Livestock Breeding to the Ministry of Agriculture and Forestry. The agreement between BNDA and the Agency was signed back in April, defining BNDA as its counterpart and coordinator in all joint activities related to livestock breeding control, selection and reproduction. Through the State Fund Agriculture a total of 2,900,000 Bglv (approx. USD 1,450,000) was granted in support of animal selection and reproduction.</p> <p>MOA State Fund Agriculture has granted a total of 5 million Bglv (approx. USD 2.5 million) for investment projects for year 2002. These investment projects include: purchase of selected breeds with high genetic potential, purchase of machinery and equipment, construction of farm buildings, reconstruction of existing ones.</p>

ATTACHMENT C

Bulgaria Member Benefits Impact

Impact
<p>The regular supply of information and analysis on the status of the animal production sector concerning milk production and dairy processing to the members of BNDA. Information on the dairy products export regulations. In this way rendering support to dairy processing enterprises members of BNDA when conducting marketing surveys and establishing their trade policy in relation to the local and foreign markets.</p>
<p>In the past the summer prices were dropping to 0.20 Bglv, which means that due to BNDA efforts, 54% increase in income from milk of dairy producers was reached. This is approximately \$44.5 million increase in income for dairy producers.</p>
<p>Preferential prices for feeds and forages – the Sliven Regional Association of Dairy Producers has negotiated with the 11 factories in the Sliven Region producing annually 7,432 MT of feed for cattle and 303 MT for sheep, a discount of up to 15% at the price of 0.30 Bglv/kg (VAT included), i.e., the members of the association will purchase at a price of 0.255 Bglv/kg (VAT included). For one year the association will utilize about 4,500 MT of feed at a price 255 Bglv/MT or a total of 1,247,500 Bglv for one year, at the price of 300 Bglv/MT the total amount of 1,350,000 Bglv (675,000 USD) will be paid, which means that the association members will benefit the difference of 102,500 Bglv (approx. 51,250 USD).</p>
<p>Preferential credit lines on behalf of De Laval for the purchase equipment from the company. De Laval is a guarantee before the banks for the rendering of long-term credits (the equipment will be used as collateral) with low interest of 8 – 10%, 12-month gratis period, which will lead to the fast introduction of new and modern technologies.</p>
<p>The company Celtek from Sweden which sells recycled cooling vats, renders a discount for BNDA members up to 25%. A 300-liter cooling vat costs 1,380 Bglv (approx. 690 USD) VAT included, and it will be sold to BNDA association members at a price of 1035 Bglv (approx. 517.5 USD).</p>
<p>The company Shell, Petrol – as per an agreement with the BNDA sells its products with a discount up to 15% for BNDA members.</p>
<p>JICA will cover all sample transport expenses, the microbiological and physical and chemical testing, etc. up to 130,000 Bglv (approx. 75,000 USD) for 10,000 samples of raw milk.</p>

Impact
<p>BNDA was granted by MOA the amount of 15,000 Bglv (7,500 USD). The reconstruction works will be done by "Agropromproekt" – Sofia. MOA has also granted another 100,000 BGLv (»50,000 USD) for furnishing the laboratory.</p>
<p>The outcome of this project will help the dairy producers and processors meet national and EU requirements regarding the quality of raw milk and dairy products and will ultimately lead to improved food safety and wider range of products. The amount rendered for six months is 200,000 EURO. Three independent laboratories will be established for testing raw milk and dairy products covering the whole territory of Bulgaria with a database linked to the Associations of Dairy Breeders, which will introduce an independent control system, including collection and processing of samples. The quality control systems (GMP; HACCP and ISO 9000) for monitoring of critical parameters will be developed, introduced and implemented in model dairy farms and processing plants.</p>
<p>In order to achieve sustainable agricultural development and improvement of agricultural structures in the region, investments and advisory services are subsidized for improvement of milk production with emphasis on the improvement of milk hygiene and milk quality. The total value of grants to the dairy producers from both the EU SAPARD project and the government of Bulgaria is ECU 1,480,000.</p>
<p>As a result BNDA is donated 20 computers of 20,000 USD value and receives free National TV time for promotion of milk consumption. In return BNDA members will support BRC programs with donations in cash and dairy products. The Christmas 2000 dairy promotion campaign, which included a TV commercial to be covered by sponsor donations, the BRC logo and the motto of the campaign "Their Smile Brings Us Joy" was placed on the package of 2.5 million yogurt cups and a certain sum was deducted from the price, which was given to BRC. This will bring tax deductions and advantages to dairy processors. Besides the campaign generated 25,000 USD which was donated to children suffering from cerebral paralysis.</p>

Impact

“The Right to a Future” is this year’s logo of the nationwide fundraising campaign in favor of homeless children, children in poverty, disabled children and orphans in Bulgaria. The selected BCR counterpart dairy company for the 7-month campaign is FAMA Ltd., member of BNDA, whose owner and president was a Land O’Lakes US trainee back in 1997. The selection was based on: high quality dairy products, nationwide distribution network and, commitment and active involvement in industry and community development. The nationwide fundraising campaign includes a TV video-clip with famous Bulgarian actors, sportsmen, singers, journalists promoting dairy products and “the right to a future” for every child. The BRC logo and the motto of the campaign is placed on the package of every dairy product and a portion of the sales incomes will be donated to Bulgarian Red cross orphanages. Through this campaign BRC is rewarded with USD 40,000 to 80,000 donated to it, the second winner is FAMA with an expected sales increase of 25% and, last but not least, is the increased domestic consumption of branded local dairy products. This is a successful continuation of charity promotion campaigns.

As a result of the Agreement signed between NADP and ADPB defining the involvement of MOA in the system for milk procurement, through creating bonuses for documented purchases of quality milk, MOA through the State Fund Agriculture granted a total of 2,670,000 Bglv (approx. 1,335,000 USD). The Fund is paying a 10% bonus over the price of quality milk at a standard of 3.6% fat content. For the reported period the amount of 1,823,493 Bglv (approx. 911,747 USD) are already paid to dairy farmers, members of NADP, that meet the requirements for producing and selling quality documented milk. With the active assistance of Land O’Lakes both national associations have developed the register of their association members producing and processing quality documented milk. They have also finalized the list of milk collection sites abiding by the agreement and of the volume of quality milk sold. Altogether 5,818 farmers from 27 regions in Bulgaria applied for the subsidy. These lists were provided to MOA and the State Fund Agriculture on December 14, 2001.

Impact
<p>Effective in their actions to unite and protect the interests of their members and being recognized as reliable counterparts to the Government, BNDA, ADPB and NADP were included in the Commission on Milk Production and in the Commission on Milk Procurement and Processing of the Consultative Council on Milk Issues to the Ministry of Agriculture and Forestry. The three national associations, supported by Land O'Lakes, are to advise the Minister of Agriculture in conducting and implementing the Government policy on production, procurement and sales of milk. They shall participate in the development of a strategy for the dairy sector as well as in the development and implementation of all related regulatory documents. The first meeting of the Consultative Council was held on 21 December where a detailed analysis of the dairy sector status was made.</p>
<p>In March 2002, a Memorandum was signed defining the joint actions of the Bulgarian government and BNDA, ADPB and NADP in ensuring efficient conditions for the production, procurement and sales of documented quality milk and dairy products. As a result of the Memorandum, MOA through the State Fund Agriculture has granted a total of approx. USD 1,100,000 for the period April – September 2002.</p>
<p>BNDA, ADPB and NADP in a continuous effort to provide services to their members have signed an agreement for cooperation with the MOA National Extension Services in Agriculture. According to the agreement, the 33 Regional Extension Services will cooperate with the Regional Producer Associations on providing extension services to members in the areas of animal health control, nutrition, milk quality, dairy herd management, breeding, etc.</p>
<p>As member of the working group on the implementation of the EU SAPARD Program, BNDA took part in the Selection Committee meeting at the Ministry of Agriculture and Forestry on February 11, 2002. Altogether 13 applications of members of regional associations at a total value of 5,648,578 Bglv (approx. USD2,824,300) were approved.</p>

Impact
<p>As a result of the Land O'Lakes donation for group purchasing start-up both regional and national dairy associations continue the activities. These include contracts with national and regional distributors of pharmaceuticals, dairy equipment, feed, seeds, etc.</p> <p>During the reported period Land O'Lakes purchased from a local manufacturer 3 cooling tanks with 1000 liter capacities including the auxiliary equipment. The cooling tanks were donated to the Pleven, Lovech and Zashtita Regional Dairy Producers Associations. The cooling tanks are already installed at the collection sites built and equipped by the farmer coop members. It is important to note that milk collection sites are currently owned by dairy processors and thus they dictate the price of raw milk. Through the farmer coop ownership of the collection sites, it is expected that farmers will be able to choose between different processors and pursue higher quality and prices.</p>

ATTACHMENT D

Visit by USAID to Bulgaria

On August 27, 2002, James Pardew, Ambassador of the United States in Bulgaria, accompanied by Edward T. LaFarge, Private Enterprise Officer, U.S. Agency for International Development, Brian Goggin, Deputy Ag Attache at USDA, and Mila Boshnakova, USDA, visited two Land O'Lakes/Bulgaria clients: Djavit Bejtula, private dairy farmer in the Dobrich Region, and Svetlozar Lazarov, owner and president of FAMA Ltd., a food and dairy products manufacturing and trade company in the Varna Region. The team was impressed and appreciated the enormous achievements and success of both in developing and expanding their operations.



Mr. Djavit Bejtula is one of the largest, most successful private dairy farmers in the Dobrich region. He cultivates 2,500 hectares of rolling fields of wheat, oats, corn, sunflowers and alfalfa. Equally impressive are the 300 milking cows herd along with 200 heifers and a 300-sheep herd. Mr. Bejtula started up the farm in 1993.

In 1994, Mr. Bejtula participated for the first time in a USAID/Land O'Lakes-sponsored dairy producers training program in the United States. The US training showed Mr. Bejtula many ways to reduce production costs and increase efficiency. As a result of his next US training in October 1998, provided by USAID/Land O'Lakes, and the established business linkages with US companies at the World Dairy Expo in Madison, Wisconsin, Mr. Bejtula invested \$75,000 in a second "Case" tractor. Previously he purchased "Case" combine and tractor for \$187,000.

The second Land O'Lakes client visited by the delegation was Mr. Svetlozar Lazarov, owner and president of FAMA, a food and dairy products manufacturing and trade company, established in 1992. FAMA owns three dairies located in the Dobrich region and a wholesale warehouse of 800 sq.m. in Varna. The company has established a network of distributors throughout the country in 1993. FAMA processes white brine cheese and *kashkaval*, fluid milk, yogurt, cream, butter and specialty cheese rolls.

The capacity they are operating now is about 30 MT of milk processed per day. Milk is supplied from a broad region (radius of up to 70 km). FAMA has 98 employees.

Mr. Lazarov was a participant in the USAID/Land O'Lakes Training Program in the United States back in 1997. Following the contacts from the US training, the company started exporting sheep milk *kashkaval* to the USA. Mr. Lazarov approached USAID/Land O'Lakes for assistance in development and introduction of new products. Following the USAID/Land O'Lakes expert's recommendations, the company developed and introduced on the domestic market the new gouda-type hard cheese "ROSSA."

FAMA, as member of Bulgarian National Dairy Association, which is established and supported by USAID/Land O'Lakes, successfully conducted the continuation of the nationwide fundraising campaign on a regional basis, according to its agreement with the Bulgarian Red Cross for developing and implementing joint dairy promotion programs. "The Right to a Future" was the logo of the nationwide fundraising campaign in favor of homeless children, children in poverty, disabled children and orphans in Bulgaria. The "Dairy Fiesta," as the regional dairy promotion and fundraising campaign was titled, took place in Burgas and Varna. USAID/Land O'Lakes provided TA on marketing and sales for this specific campaign.

